

Q4 2017



City of Diamond Bar Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2017)

Diamond Bar In Brief

Diamond Bar's receipts from October through December were 2.6% below the fourth sales period in 2016. However, a payment anomaly which temporarily spiked restaurants in the comparison period, was largely responsible for the drop. Excluding reporting aberrations, actual sales were only down 0.3%.

Weaker business-industry and building contractor activity compared to a year ago flattened the overall adjusted results. The close-out of a retailer and softening sales of general consumer goods further impacted receipts.

Steady price increases at the pump, mostly due to global crude oil and the statewide implementation of SB-1, tax revenue from service stations continued to grow. The recent opening of a new grocery store also helped offset the declines.

Net of aberrations, taxable sales for all of Los Angeles County grew 3.0% over the comparable time period; the Southern California region was up 3.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Graybar Electric
Albertsons	In N Out Burgers
Arco AM PM	McDonalds
Bedshe International	Pho Ha Plus
Chevron	Restaurant Depot
Chilis	Sams Mobil
Circle K	Shell
Color Marble Commercial Projects	Smart & Final
CVS Pharmacy	Sprouts
Del Taco	Super H Mart
Diamond Bar Chevron	Target
Diamond Bar Shell	Walmart Neighborhood Market
Grand Mobil	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$3,313,227	\$3,381,524
County Pool	473,812	474,382
State Pool	1,958	637
Gross Receipts	\$3,788,997	\$3,856,543

California Overall

Factored for accounting anomalies, statewide fourth quarter receipts from local government's one cent sales tax were 4.5% higher than the holiday quarter of 2016.

Rising fuel prices and solid gains from building/construction supplies, restaurants and e-commerce were the primary contributors to the overall increase. A healthy quarter for auto sales and construction equipment were additional factors. Tax revenues from general consumer goods sold through brick and mortar stores rose a modest 1% over last year's comparable quarter while receipts from online sales increased 13.2%.

Performance for the inland areas of the state were generally stronger than the coastal areas which had earlier recovered from the previous downturn.

Nexus Issue to be Revisited

In 1992, the U.S. Supreme Court ruled in *Quill v. North Dakota* that businesses lacking a physical presence or "nexus" in a state cannot be required to collect or remit that state's taxes. This does not excuse buyers from paying a corresponding use tax but the costs of enforcement, particularly on smaller purchases, is difficult and local brick and mortar retailers are placed at a competitive disadvantage.

California has been more effective at collecting use tax than most states with an aggressive program of auditing major business purchases, requiring CPA's to report unpaid use tax on client's annual returns and requiring businesses with annual gross receipts of \$100,000 or more to register for the purposes of reporting use tax.

The State has also increased the number of out-of-state sellers required to collect sales tax through broader definitions of what constitutes physical presence including a requirement that larger internet retailers collect and remit sales tax if paying a commission for customer referrals obtained via a link on a California seller's website.

Still, the estimated revenue losses are substantial particularly for agencies with voter-approved transactions tax districts. Because of *Quill*, retailers are

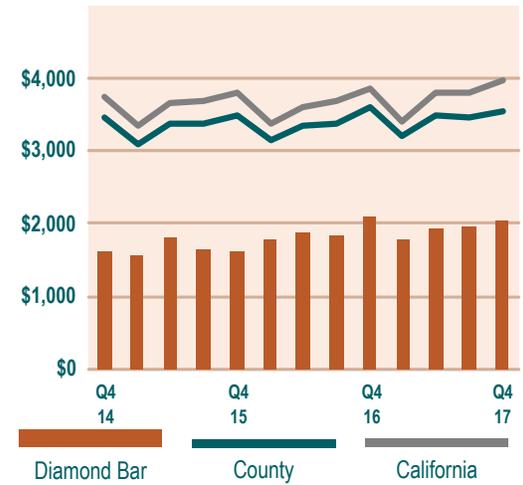
not required to collect the tax for purchases in an adjacent jurisdiction if the retailer has no physical presence in that jurisdiction. The resulting loss to local governments projected by the State Board of Equalization in 2016-17 was \$756 Million in uncollected tax revenues and losses to the state of \$697 Million: (<https://www.boe.ca.gov/legdiv/pdf/e-commerce-2017F.pdf>).

Congress has refused to act on numerous attempts to seek legislative relief over the last two decades. However, three justices – Clarence Thomas, Neil Gorsuch and Anthony Kennedy have recently expressed doubts about the *Quill* decision with Kennedy noting in 2015, that the ruling has produced a "startling revenue shortfall" in many states as well as "unfairness to local retailers and customers."

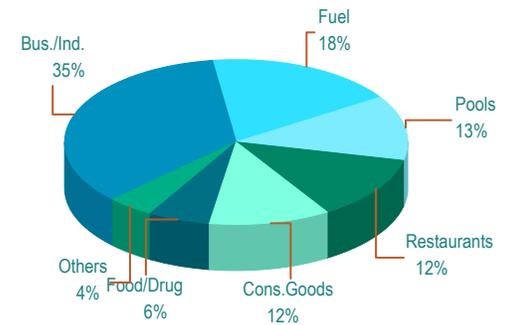
In January 2018, the U.S. Supreme Court agreed to hear arguments in the case of *South Dakota v. Wayfair Inc.* where *Wayfair* is challenging the State's recently adopted requirement that retailers collect and remit, or pay, sales tax on purchases made by South Dakota residents.

Oral arguments are scheduled for April with a decision expected by the end of June 2018.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Diamond Bar This Quarter



DIAMOND BAR TOP 15 BUSINESS TYPES

*In thousands of dollars				
Business Type	Diamond Bar		County	HdL State
	Q4 '17*	Change	Change	Change
Automotive Supply Stores	11.0	-20.7%	-1.5%	1.6%
Casual Dining	79.3	9.2%	3.6%	3.4%
Contractors	26.2	-32.6%	7.5%	13.9%
Discount Dept Stores	—	CONFIDENTIAL	3.7%	4.1%
Drug Stores	16.7	-13.7%	-10.9%	-10.7%
Electrical Equipment	—	CONFIDENTIAL	-6.6%	5.7%
Electronics/Appliance Stores	12.7	-0.9%	3.3%	5.8%
Food Service Equip./Supplies	—	CONFIDENTIAL	-2.4%	2.6%
Grocery Stores	49.7	24.4%	-5.8%	-1.5%
Heavy Industrial	—	CONFIDENTIAL	6.0%	10.3%
Home Furnishings	15.9	99.3%	0.8%	2.6%
Light Industrial/Printers	15.7	4.3%	-3.4%	1.2%
Quick-Service Restaurants	73.0	-17.9%	4.5%	5.0%
Service Stations	239.2	4.6%	10.0%	11.4%
Specialty Stores	15.6	-14.2%	5.1%	4.4%
Total All Accounts	1,159.3	-2.6%	-0.9%	4.0%
County & State Pool Allocation	169.8	-2.2%	-0.5%	0.8%
Gross Receipts	1,329.1	-2.6%	-0.8%	3.6%